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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001009

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SUBJECT: PRESSURE MOUNTS ON THE TWO LADIES

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Classified By: DCM Geeta Pasi, reason para 1.4 d.

¶1. (C) Summary. Sensational allegations of personal misconduct, public moves to form a new political party, and new initiatives for political party reform have escalated the pressure on the "two ladies" to quit politics. Although the future looks bleak for Sheikh Hasina and Khaleda Zia, and the parties that once revolved around them, who or what might replace them remains unclear. End Summary.

Legal Leverage

¶2. (SBU) For the past two weeks, local media have trumpeted the often lurid details of alleged corruption and other misconduct by Awami League (AL) President Sheikh Hasina, the family of Bangladesh Nationalist Party (BNP) Chairperson Khaleda Zia, and many of the two ladies' personal and professional confidants. Journalists have received edited tapes of interrogations to substantiate the reports.

¶3. (C) The first two waves of corruption arrests focused on the BNP, but the latest, in May, featured Hasina loyalists while conspicuously excluding her party critics who in some cases have strong reputations for corruption. Hasina has been named as a defendant in an extortion case filed by the agent of the company that built a power plant during her administration. She has also been blamed by a police investigation for deadly street violence in the run-up to the first caretaker government last October, and, during the BNP government, with corruption pertaining to the purchase when she was prime minister of a frigate from South Korea and MiG-29 aircraft from Russia.

¶4. (SBU) Hasina also faces possible extortion charges involving several other business dealings. Businessman Nur Ali, whose interests include the local Westin Hotel franchise, has reportedly told investigators he gave Hasina 50 million taka (about USD 830,000) to gain her approval for a power project and one million taka (about USD 75,000), plus real estate, to her son Joy and her detained cousin Sheikh Salim from his commission on the MiG purchase.

¶5. (SBU) While her sons Tarique and Koko have been implicated in numerous scams, Zia herself has apparently not been directly linked to corruption. However, she still has been accused in two cases, including one filed by someone who claims to have been injured in the August 21, 2004, grenade attack that killed 22 at an Awami League rally in Dhaka; the complainant, whom Hasina claims not to know, says Zia and other senior BNP figures orchestrated the attack. The second

case was filed by the Joint Stock Company against the directors of the company that publishes the BNP's party newspaper for failing to file annual service returns as mandated by law.

Gleam of a Party

¶6. (C) General Bari of the Directorate General-Forces Intelligence continues to recruit and promote for a new party, according to multiple contacts (reftel). As many as 100 BNP leaders, mostly members of the past parliament, have given him undated letters of resignation to position themselves for joining the new party, according to a former BNP minister.

¶7. (C) Over the weekend, local media reported that Ferdous Quershi, a founding member of the BNP who retired from politics when he lost in the 1996 election, organized several meetings at local restaurants of minor political figures from the BNP, the Jatiya Party, and the AL. Two of the better known participants are Rawshan Ershad, the wife and sometimes Jatiya Party rival of General Ershad, and Saeed Khokon, an Awami League youth leader and son of a former AL mayor of Dhaka. Quershi told reporters his party has no name or platform other than a commitment to "clean" politics.

Party Reform Initiatives Reignite

¶8. (C) Dissidents in both parties have gone public with reform proposals. BNP SYG Mannan Bhuiyan is spearheading a move for Zia to resign and inject more collective

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decision-making into the party. Zia told The Daily Star that she is open in principle to reform while insisting the party is already democratic and collegial. Asked about Bhuiyan's initiative, Zia expressed doubt that Bhuiyan would want the responsibility of fracturing an "historic" party like the BNP.

¶9. (C) Hasina's rivals on the Presidium launched a 21-point reform proposal which has been hijacked by Hasina when she took it two steps further: Instead of mandating a two-term limit for just the party president, and barring the party president from serving as head of government, she said, the term limit should apply to all party positions and all central committee members should be barred from becoming ministers or state ministers. At least one Hasina rival, Tofael Ahmed, felt obliged to welcome the proposal, and, according to press reports, party reformers have called for party unity under Hasina.

What's Next?

¶10. (C) Anti-Corruption Commission contacts tell us they are working on 27 cases against Hasina, including a sedition charge for her threats to topple the previous BNP government by "people's pressure" if it failed to resign by April 30, ¶2004. The two cases against Zia may be designed to suggest political balance for the possible arrest of Hasina.

¶11. (C) Zia continues to live in isolation on the cantonment while giving the impression she is more interested in saving her family than re-energizing her leadership of the party. Her statements to The Daily Star came in written answers to submitted questions because the journalist, according to the paper, was not allowed access to her residence. Similarly, when we contacted Zia's daughter-in-law on the day of the Embassy's Independence Day reception, on June 14, to check whether Zia planned to attend, it developed Zia had never received the invitation.

¶12. (C) Hasina's upping of the ante on her critics' reform proposal suggests she is not ready to pack her bags since she

must know that barring party leaders from the rewards of political office is unacceptable to her rivals. The government has already blocked her travel abroad on the grounds she faces two extortion charges. The next step could be arrest, the filing of government charges against her, and new allegations of misconduct. Saeed Khokon, the AL youth leader tied to the new political party, has been charged in connection with the firebombing of a bus on the eve of an AL general strike in 2004; according to ACC and other contacts, Khokon, who is out on bail, was expected to confess to a judge that Hasina ordered the attack to scare people off the streets, a potential political bombshell.

¶13. (C) If Hasina is arrested, street violence or demonstrations are not expected, at least for now. The potential organizers of such agitation are mostly in jail or underground, and there is broad feeling that Hasina is not a victim of "false" charges.

Comment

¶14. (C) The government has almost certainly orchestrated a three-pronged assault -- court cases, a new party, party reform initiatives -- to force the two grande dames of Bangladeshi politics to step aside. Bhuiyan, fearful of arrest, would not be acting without a military nod, DGFI is intimately tied to the new party, and a large majority of the cases against political leaders have come from persons just after they had been interrogated. For years, Hasina and Zia have benefited from the perception they are essential to their party's unity and hence future. If they are finally on the way out, and the parties that once revolved around them are in danger of being eclipsed, there will be a huge gap in the political landscape that no one in sight -- certainly not a new party of has-beens and unknowns -- could easily fill.
BUTENIS